MANAGEMENT DISCUSSION & ANALYSIS

BCSC British Columbia Securities Commission FORM 51-102F1

ISSUER DETAILS

FOR YEAR ENDED	**September 30, 2012**
DATE OF REPORT	**January 15, 2013**
NAME OF ISSUER	**ACT360 Solutions Ltd.**
ISSUER ADDRESS	**1116 – 207 West Hastings Street Vancouver, B.C. V6B 1H7**
ISSUER TELEPHONE NUMBER	**(604) 638-1553**
CONTACT PERSON	**Vincent Wong**
CONTACT POSITION	**PRESIDENT and CEO**
CONTACT TELEPHONE NUMBER	**(604) 638-1553 ext 1**
CONTACT EMAIL ADDRESS	**vincentw@act360.com**
WEB SITE ADDRESS	**www.act360.com**

FORM 51-102F1

ACT360 Solutions Ltd.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 2012

ACT360 Solutions Ltd (the "Company") is incorporated in British Columbia and is a public company listed on the TSX Venture Exchange, symbol "AKM". The Company, through its wholly owned subsidiary ACT360 Media Ltd ("ACT360 Media"), provides internet-based testing, training, and marketing services for corporate and higher education customers.

ADVISORY

The following Management's Discussion and Analysis ("MD&A") of the annual financial condition and results of operations of the Company for the year ended September 30, 2012 and should be read together with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2012. The Company's financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") required for the audited financial statements. Consequently, the consolidated statement of comprehensive income (loss) for the year ended September 30, 2011 and the Company's statements of financial position as at October 1, 2010 and September 30, 2011 and other related notes have been restated from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to comply with IFRS. The reconciliations from the previously published Canadian GAAP financial statements are summarized in Note 13 of the audited consolidated financial statements for the year ended September 30, 2012. All amounts are expressed in Canadian dollars.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A constitute forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on the following material assumptions: a continuing or increased need for language training, e-learning software development, and student recruitment services in difficult economic times, the attainment of certain sales targets and company performance, the ability of channel partners and distributors to sell licenses of the Company's online testing software, the ability of the Company to successfully execute on its growth and new business strategies, including attracting new higher education clients, continuation of support from existing higher education clients, the demand for its products continuing to increase, stable currency valuations and a sufficiently stable and healthy global economic environment, and other expectations, intentions and plans contained in this MD&A that are not historical fact.

When used in this MD&A, the words "plan," "expect," "believe," and similar expressions generally identify forward looking statements. These statements reflect current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and general market conditions. In light of the many risks and uncertainties, readers should understand that the Company cannot offer assurance that the forward-looking statements contained in this analysis will be realized.

SEGEMENTED INFORMATION

The Company's product development, sales, and marketing operations are conducted from its offices in Vancouver, B.C., Canada. Worldwide sales of the Company's products and services are made directly to end customers, both consumers and businesses, and also through a network of channel partners. The Company's operations are limited to a single industry segment, being the development, customization, and sale of Internet-based testing, student recruitment, and marketing services to the higher education industry.

TRENDS AND OPPORTUNITIES FOR 2013

2012 was a year of growth for the Company as it executed on its new business plan to provide student recruitment and marketing services to higher education clients. 2012 business highlights include:

- 31% year-over-year revenue growth resulting from 107% organic growth in TestDEN Higher Education sales;

- Net profit of $23,702 on revenue of $715,575 versus a loss of $55,495 on sales of $545,620 in 2011;

- Completion of the Company's education marketing technology platform to support a larger volume of clients;

- The appointment of Messrs. Howard Louie, Eric Helgeland, and Jeff Cruz to the Company's CEO Advisory Board in order to provide the Company with strategic advice on international education, digital marketing, mergers and acquisitions, and capital markets;

- Completion of a private placement of 4,000,000 units of the Company for gross proceeds of $200,000.

The Company expects to grow TestDEN Higher Education sales in 2013 by increasing the number of international students using its websites and expanding the number of higher education clients and partners purchasing the Company's marketing services. The Company's strategy is to work with for-profit online colleges, traditional campus-based colleges, and English as-a Second Language schools to increase their student enrollments of international students. Potential clients for the Company's marketing services are located in the United States, Canada, the UK, and Australia.

With the support of its shareholders, the Company will continue to evaluate strategic acquisition opportunities as a means to achieve significant scale in its business operations. The Company's management team will evaluate each acquisition candidate with respect to opportunity, strategic fit, and valuation.

OVERALL PERFORMANCE

For the 12 months ended September 30, 2012, the Company's revenue increased by 31% to $715,575 compared to revenue of $545,620 for the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, grew 107% in 2012 compared to the prior year. During the first quarter of 2012, the Company re-designed its education marketing technology platform to support higher volumes of inquiries and a greater number of university clients. Revenue growth was primarily achieved by the addition of new post-secondary education clients purchasing the Company's student recruitment service. The Company delivered a higher volume of inquiries by significantly increasing the number of Internet users of the Company's flagship website at www.testden.com.

Custom development revenue decreased by 56% as the Company no longer pursued new clients for custom software development. All revenue in this category was from the maintenance of existing client projects.

On a consolidated basis for the 12 months ended September 30, 2012, the Company had a net profit of $23,702 on sales of $715,575 compared to a loss of $55,495 on sales of $545,620 during the previous year.

On a consolidated basis, expenses were $691,881 in 2012 compared to $601,261 in 2011, an increase of 15%. Selling, office, and general expenses were higher as the Company allocated greater resources towards advertising and business development activities to support TestDEN Higher Education revenue.

The following is a discussion of certain major expense categories for the year ended September 30, 2012:

Accounting and legal

Accounting and legal fees were $65,446 in fiscal 2012 (2011: $66,180). The Company incurred higher accounting fees as part of the Company's one-time transition to IFRS for its financial statements. The increase was off-set by lower legal fees as the Company pursued fewer business opportunities during 2012.

Consulting

Consulting fees totaled $165,276 in 2012 (2011: $168,307). Consulting fees are paid when the Company hires external personnel to work on custom training contracts and marketing projects. The Company relied on external contractors in 2012 for the delivery of software development, content creation, and online marketing services. The use of external contractors provided the Company with greater flexibility with respect to scheduling software development and maintenance. Through outside consultants, the Company was also able to acquire the expertise and experience to advance its student recruitment business.

Promotion, advertising, and travel

Promotion, advertising and travel expenses increased in 2012 as the Company expanded its online marketing and higher education client acquisition activities by 134%. Expenses in this category increased to $218,182 compared to $93,074 in 2011.

Share-based compensation

Share-based compensation in 2012 was $7,829 (2011: $4,667). The Company issued new stock options to consultants serving on the Company's CEO Advisory Board established in September 2012.

Telephone and internet

Telephone and internet expense in 2012 totaled $26,714 (2011: $28,538). Expenses in this category were flat compared to the prior year as the Company's existing infrastructure adequately supported the Company's growth in Internet traffic.

Wages and employee benefits

Wages and employee benefits in 2012 totaled $129,486 (2011: $163,520). The Company increased its reliance on external consultants in 2012 for software development, content creation, and online marketing expertise. The Company maintained a core team for project management, business development, and sales and marketing.

SELECTED ANNUAL INFORMATION TO SEPTEMBER 30

	2012	2011	2010
Revenue	$715,575	$545,620	$376,613
Net Income (Loss)	$23,702	($55,495)	($174,789)
Total Assets	$275,979	$86,784	$152,122
Total Long Term Liabilities	$nil	$nil	$nil
Cash Dividends Declared	-	-	-
Earnings (Loss) per Share - Basic	$0.00	($0.00)	($0.01)

Notes:
1. Fully diluted earnings per share have not been provided because they are anti-dilutive.
2. Weighted average number of shares outstanding was used for the calculation of earnings per share.
3. 2011 and 2012 figures are IFRS. 2010 figures are Canadian GAAP.

2011 financial performance

For the 12 months ended September 30, 2011, the Company's revenue increased by 45% to $545,620 compared to revenue of $376,613 for the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose 58% in 2011 compared to the prior year. The Company focused its resources on growing sales in this segment through online marketing, attendance at industry trade shows, and client visits. The Company achieved significant growth in both consumer online sales and institutional sales to higher education.

Application hosting revenue increased by 16% in 2011 compared to the previous year as the Company added customer applications hosted on its network.

Custom development revenue increased by 41% as the Company completed a series of e-learning applications and content for a major customer.

On a consolidated basis for the 12 months ended September 30, 2011, the Company had a net loss of $55,495 on sales of $543,012 compared to a loss of $174,789 on sales of $376,613 during the previous year.

On a consolidated basis, expenses were $598,653 in 2011 compared to $551,914 in 2010, an increase of 8.4%. Stock-based compensation was lower as the Company issued fewer stock options to directors and consultants. Wages and benefits were also lower because the Company relied on external contractors to perform software development and marketing services. Consequently, consulting expenses were significantly higher in 2011. Promotion and travel expenses were also higher as the Company focused its resources on online marketing of the TestDEN.com brand and acquiring new higher education customers.

2010 financial performance

For the 12 months ended September 30, 2010, the Company's revenue decreased by 14% to $376,613 compared to revenue of $439,142 for the previous year. 2010 and 2009 figures are Canadian GAAP.

TestDEN testing and training sales increased 71% as the Company expanded its online marketing targeting international students.

Custom Development service revenue fell 32% as the Company lost a maintenance contract for a major client. By the third quarter of fiscal 2010, management made the decision to divert resources away from the Custom Development group and to exit the business entirely.

Application Hosting revenue declined 20% in the year compared to the previous year as the Company developed and maintained fewer custom testing applications.

On a consolidated basis for the 12 months ended September 30, 2010, the Company had a net loss of $174,789 on sales of $376,613 compared to a loss of $134,316 on sales of $439,142 during the previous year.

On a consolidated basis, expenses were $551,914 in 2010 compared to $576,290 in 2009, a reduction of 4.2%. Amortization of deferred costs was lower as the Company completed the expensing of legacy products and services. Wages and benefits were also lower because the Company eliminated four full-time positions in the third quarter of the year. Stock-based compensation was higher due to the issuance of new stock options to directors and management following the expiry of a majority of the options previously outstanding.

SUMMARY OF QUARTERLY RESULTS

To September 30, 2012

	Q1	Q2	Q3	Q4	TOTAL
Revenue	$191,826	$169,325	$170,839	$183,585	$715,575
Net Income (Loss)	$2,907	$14,913	$8,113	($2,231)	$23,702
Earnings (Loss) per Share – Basic	$0.00	$0.00	$0.00	($0.00)	$0.00

To September 30, 2011

	Q1	Q2	Q3	Q4	TOTAL
Revenue	$201,475	$132,886	$98,158	$113,101	$545,620
Net Income (Loss)	$46,909	($33,646)	($27,145)	($41,613)	($55,495)
Earnings (Loss) per Share – Basic	$0.00	($0.00)	($0.00)	($0.00)	($0.00)

Notes:
1. Fully diluted earnings per share have not been provided for because they are anti-dilutive.
2. Weighted average number of shares outstanding was used for the calculation of earnings per share.

Fourth Quarter 2012

For the three months ended September 30, 2012, the Company's revenue increased by 62% to $183,585 compared to revenue of $113,101 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 125% compared to the same quarter in 2011. The Company added new clients for its student recruiting service and sold a higher volume of inquiries to existing clients.

Custom development revenue decreased by 81% as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended September 30, 2012, the Company had a net loss of $2,231 on sales of $183,585 compared to a loss of $41,613 on sales of $113,101 during the same period in the previous year.

On a consolidated basis, expenses were $185,820 in the fourth quarter ended September 30, 2012 compared to $154,714 in the fourth quarter ended September 30, 2011.

Consulting expenses were lower as the Company took on fewer custom development projects and consequently used fewer external software developers. Promotion, travel, and advertising expenses were significantly higher as the Company increased its online marketing activities to bring more international students to its education portal www.testden.com.

Share-based compensation increased during the quarter. The Company issued new stock options to consultants serving on the Company's CEO Advisory Board established in September 2012.

Bad debt increased during the quarter as the Company took a charge for doubtful collection of certain accounts receivables related to custom development and application hosting.

Third Quarter 2012

For the three months ended June 30, 2012, the Company's revenue increased by 74% to $170,839 compared to revenue of $98,158 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 113% compared to the prior year quarter. Revenue growth was driven by new post-secondary customers purchasing the Company's student recruitment service and higher consumer sales resulting from improvements to the Company's online sales process.

Custom development revenue decreased by 62% compared to the third quarter of 2011 as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended June 30, 2012, the Company had a net profit of $8,113 on sales of $170,839 compared to a loss of $27,145 on sales of $98,158 during the same period in the previous year.

On a consolidated basis, expenses were $162,727 in the third quarter ended June 30, 2012 compared to $125,321 in the third quarter ended June 30, 2011. Consulting expenses were lower during the current quarter as the Company relied on fewer external contractors for delivery of software development services. Promotion and marketing expenses were higher as the Company continued to invest resources in sales and marketing.

Second Quarter 2012

For the three months ended March 31, 2012, the Company's revenue increased by 27% to $169,325 compared to revenue of $132,886 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 180% compared to the prior year quarter. Revenue growth was driven by new institutional customers signing on to the Company's student recruitment service, higher consumer sales resulting from improvements to the Company's online sales process, and higher corporate sales in Europe and Japan.

Custom development revenue decreased by 67% compared to the second quarter of 2011 as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended March 31, 2012, the Company had a net profit of $14,913 on sales of $169,325 compared to a loss of $33,646 on sales of $132,886 during the same period in the previous year.

On a consolidated basis, expenses were $154,413 in the second quarter ended March 31, 2012 compared to $166,567 in the second quarter ended March 31, 2011. Consulting expenses were lower during the current quarter as the Company relied on fewer external contractors for delivery of software development services. Promotion and marketing expenses were also higher as the Company continued to invest resources in sales and marketing.

First Quarter 2012

For the three months ended December 31, 2011, the Company's revenue decreased by 5% to $191,826 compared to revenue of $201,475 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose by 47% compared to the same quarter in 2011. Revenue growth was driven by new institutional customers signing on to the Company's student recruitment service, as well as higher consumer sales resulting from improvements to the Company's e-commerce process. The sole area of weakness was in corporate training sales where fewer orders were placed by customers in Europe and Japan.

Custom development revenue decreased by 43% as the Company is no longer pursuing new clients for custom software development. All revenue in this category is from the maintenance of existing client projects.

On a consolidated basis for the three months ended December 31, 2011, the Company had a net profit of $2,907 on sales of $191,826 compared to a profit of $46,909 on sales of $201,475 during the same period in the previous year.

On a consolidated basis, expenses were $188,919 in the first quarter ended December 31, 2011 compared to $154,658 in the first quarter ended December 31, 2010. Consulting expenses were higher and wages and benefits lower as the Company had fewer permanent staff. During the current quarter, the Company relied on external contractors for delivery of software development and business development services. Promotion and marketing expenses were also higher as the Company continued to invest resources in sales and marketing.

Fourth Quarter 2011

For the three months ended September 30, 2011, the Company's revenue increased by 52% to $113,101 compared to revenue of $74,327 for the same period in 2010.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose 44% compared to the same quarter in 2010. Consumer e-commerce sales and international student marketing service revenue both saw strong growth during the quarter.

Application hosting revenue increased by 65% in the quarter compared to the previous year as the Company added customer applications hosted on its network.

Custom development revenue increased by 222% as the Company booked certain project revenues under the percentage of completion method.

Among expense categories, product amortization and employee wages were significantly lower. Promotion expenses were higher as the Company continued to invest in online marketing for its TestDEN.com brand. Consulting expenses were higher compared to the prior year quarter as the Company relied on external contractors for delivery of software development and marketing services.

Third Quarter 2011

For the three months ended June 30, 2011, the Company's revenue increased by 4% to $98,158 compared to revenue of $94,002 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose 32% compared to the same quarter in 2010. The Company continued to see strong growth in direct e-commerce sales of its online course products, as well as revenue from its international student marketing service. During the quarter, the Company continued to invest in customer acquisition activities for its international student marketing service.

Application hosting revenue increased by 19% in the quarter compared to the previous year as the Company added customer applications hosted on its network.

Custom development revenue decreased by 51% as the Company completed fewer client projects during the quarter.

Consulting expenses were higher and wages and benefits lower as the Company had fewer permanent staff and relied on external contractors for software development. Promotion and marketing expenses were also higher as the Company invested in customer acquisition activities for its international student marketing service and expanded its online targeting of international students. Finally, legal expenses were higher as the Company evaluated several potential partnership opportunities in the education industry.

Second Quarter 2011

For the three months ended March 31, 2011, the Company's revenue increased by 51% to $132,886 compared to revenue of $88,063 for the same period in the previous year.

TestDEN Higher Education revenues, derived from the Company's proprietary language training products and international student marketing service, rose 42% compared to the same quarter in 2010. Direct sales of TestDEN products to online consumers grew during the quarter as the Company improved its web traffic monetization. The Company launched its international student marketing service and booked its first sales during the quarter.

Custom development revenue increased by 67% as the final phase of a custom e-learning project for an international higher education client was completed in the quarter ended March 31, 2011.

Application hosting revenue declined 8% in the quarter compared to the previous year as the Company hosted fewer customer applications.

Consulting expenses were higher and wages and benefits lower as the Company had fewer permanent staff and relied on external contractors for software development. Promotion and marketing expenses were also higher as the Company invested in customer acquisition activities for its international student marketing service.

First Quarter 2011

For the three months ended December 31, 2010, the Company's revenue increased by 68% to $201,475 compared to revenue of $120,221 for the same period in the previous year.

TestDEN English revenues, derived from the Company's proprietary language training products, rose by 131% compared to the same quarter in 2010. Corporate and institutional sales rebounded in Asia and Europe. Direct sales of TestDEN products to online consumers also grew during the quarter as web traffic to the Company's web properties grew as well.

Custom development revenue increased by 50% as custom e-learning project for an international higher education client was completed in the quarter ended December 31, 2010.

Application hosting revenue declined 8% in the quarter compared to the previous year as the Company hosted fewer customer applications.

Consulting expenses were higher and wages and benefits lower as the Company had fewer permanent staff and relied on external contractors for software development. Promotion and marketing expenses were also higher as the Company continued to invest resources in sales and marketing.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had total assets of $275,979, current assets of $274,500 and working capital of $183,112, compared to total assets of $86,784, current assets of $80,268 and negative working capital of $36,847 as at September 30, 2011.

The Company's cash flow from operations in 2012 was negative $13,833 compared to negative $54,581 in 2011.

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, obtaining additional financing, and the continued support of its shareholders.

The Company believes that existing cash balances and cash generated from operations will be sufficient to meet its anticipated cash needs for working capital and capital expenditures for fiscal year 2013. However, the Company may be dependent on future equity or debt financings to take advantage of any growth-related opportunities that require cash, should they occur.

Equipment

As of September 30, 2011, the Company's net equipment was $1,479 (2011: $6,516) which includes computer equipment, software and office furniture and equipment. During 2012, the Company spent $nil on new equipment and software (2011: $6,256).

Deferred development costs

Net deferred development costs as of September 30, 2012 were $nil (2011: $nil).

Capital lease obligations

As of September 30, 2012 the outstanding capital lease obligations totaled $nil.

Shareholders' equity

Shareholders' equity was $184,591 as at September 30, 2012 compared to negative $30,331 as at September 30, 2011.

Outstanding share data

The Company's common shares outstanding at January 15, 2013 were 20,089,467 compared to 16,089,467 as at September 30, 2011.

On September 19, 2012 the Company completed a private placement of 4,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of $200,000. Each unit consisted of one common share of the Company and one non-transferable common share purchase warrant.

Stock options

During the year ended September 30, 2012, the Company granted 240,000 stock options exercisable at $0.10 to three consultants of the company, vesting immediately upon grant. The stock options expire on August 30, 2015. On grant date the fair value of the options was determined to be $7,829 with a weighted average fair value of $0.03 per option.

The following table summarizes the information about stock options outstanding and exercisable at September 30, 2012:

Number Outstanding and Exercisable	Exercise Price Per Share	Expiry Date
240,000	$ 0.10	August 30, 2015
100,000	$ 0.10	February 28, 2016
825,000	$ 0.10	August 24, 2015
1,165,000		

Warrants

During the year ended September 30, 2012, the Company completed a private placement of 4,000,000 units of the Company at a price of $0.05 per unit. Each unit consisted of one common share of the Company and one non-transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.10 until March 19, 2014. The Company has an option to accelerate the expiry of the warrants if the company's shares trade at $0.20 or higher for a period of 10 consecutive trading days in which case the warrants will expire on the earlier of the 30th day after the date of notice and 18 months from the issue of the warrants.

The following table summarizes the warrant transactions to September 30, 2012.

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 1, 2010 and September 30, 2011	-	-
Issued	4,000,000	0.10
Outstanding, September 30, 2012	4,000,000	$0.10

TRANSACTIONS WITH RELATED PARTIES

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The remuneration of the Company's directors and other key management was as follows:

	2012	2011
Management salary	$ 66,000	$ 63,500

As at September 30, 2012, the Company owed $2,276 to the CEO of the Company, which is included in accounts payable and is non-interest bearing, unsecured and due on demand.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value of cash, accounts receivable due from related parties, accounts payable and accrued liabilities, and loans payable, approximate their fair values. For more detailed information please refer to Note 11 in the audited consolidated financial statements for the year ended September 30, 2012.

SUMMARY OF INVESTOR RELATIONS ACTIVITIES

No investor relations activities were undertaken by or on behalf of the Company during the period.

CHANGES TO ACCOUNTING POLICIES

The Company adopted IFRS effective October 1, 2011 with a transition date of October 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in the audited consolidated financial statements for the year ended September 30, 2011 and the opening financial position as at October 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in

Note 3 of the Annual Consolidated Financial Statements for the year ended September 30, 2012 and IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1").

For disclosures and reconciliations related to the first time adoption of IFRS, refer to Note 13 of the audited consolidated financial statements for the year ended September 30, 2012.

In preparing the Company's IFRS Transition Date statement of financial position management noted that adjustments related to revenues from custom software development were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP. Additionally, upon adoption of IFRS, the Company adopted the policy of reclassifying amounts for expired stock options from contributed surplus to retained earnings.

Revenues from Custom Software Development
Under Canadian GAAP, the Company accounted for certain long-term contracts using the completed contract method of accounting. Completed contract method of accounting is generally not permitted under IFRS. If the outcome of a contract is not known, then revenue is recognized only to the extent of the costs incurred that are probable of recovery and is limited to the amount of costs recognized during the period.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after October 1, 2012, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective October 1, 2013
In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

The IASB has amended IAS 1 *Presentation of Financial Statements* to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for the Company beginning on October 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

New accounting standards effective October 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for the Company beginning on October 1, 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt the new requirements.

DISCLOSURE CONTROLS AND INTERNAL REPORTING

The Company has evaluated its internal controls over financial reporting and believes that as at September 30, 2012, its system of internal controls over financial reporting as defined under NI 52-109 is sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

Certain weaknesses in its system are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting areas, a situation that is common in many smaller companies. As a consequence of this situation:

- it is not feasible to achieve the complete segregation of duties; and
- the Company does not yet have full in house expertise in complex areas of financial accounting and taxation.

The Company believes these weaknesses are mitigated by the nature and present levels of activities and transactions within the Company being readily transparent; the active involvement of senior management and the Board of Directors in the affairs of the Company; open lines of communication within the Company and the thorough review of the Company's financial statements by senior management, the Audit Committee of the Board of Directors and the Company's auditors.

The senior officers will continue to monitor very closely all financial activities of the Company until the Company's budgets and workload will enable the hiring of additional staff for greater segregation. Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

RISK AND UNCERTAINTY FACTORS

New business model

The Company operates in an immature industry and has a relatively new business model, which makes it difficult to evaluate the Company's business and prospects. The Company derives nearly all of its revenue from the sale of online testing, marketing and media services, which is an immature industry that has undergone rapid and dramatic changes in its short history. The industry in which the Company operates is characterized by rapidly-changing Internet media, evolving industry standards, and changing user and client demands. The Company's business model is also evolving and it may not be successful. As a result of these factors, the future revenue and income potential of the Company is uncertain. Any evaluation of the Company's business and its prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in an immature industry with an evolving business model such as the Company's.

Some of these risks and uncertainties relate to the Company's ability to maintain and expand client relationships, sustain and increase the number of visitors to the Company's websites, respond effectively to competition and potential negative effects of competition on profit margins, and respond to government regulations relating to the Internet and personal data protection. If the Company is unable to address these risks, its business, results of operations and prospects could suffer.

Dependence on key personnel

The future success of the Company will be dependent on its ability to hire and retain skilled management and product development staff. The Company relies on Vincent Wong to manage daily operations, including business development, product development, and customer support. The Company will face competition for such personnel from other companies and there can be no assurance that the Company will be successful in hiring or retaining qualified personnel. The loss of key staff or the inability to attract and retain qualified personnel or consultants may adversely affect the Company's business.

Exchange rate

The reporting currency of the Company is Canadian Dollars. A significant portion of the Company's revenues, however, are remitted in United States Dollars and Great Britain Pounds. Future fluctuations in the value of the Canadian Dollar relative to these currencies will likely have a material impact on the Company's overall financial results. Appreciation of the Canadian dollar will decrease revenues and increase expenses.

Marketing partners

The Company relies on marketing partners to distribute and sell its products and services in international markets. There is a risk that partners may terminate their contracts and replace the Company with another vendor. To mitigate this risk, the Company customizes its software to meet the needs of its international partners and integrates its applications with partner systems.

Competition
A number of large companies are involved in the publishing and distribution of English language training courses and also in the provision of higher education marketing services. These are global companies with established distribution channels and greater financial resources than the Company. There is no guarantee that competitors will not launch products and services that compete directly with the Company's offerings.

The Company's competitors, some of who have greater financial, technical and human resources, may be able to respond more quickly to new technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of new products or services. It is possible that competition in the form of new competitors or alliances, joint ventures or consolidation among existing competitors may decrease the Company's market share and affect revenues. To reduce this risk, the Company is working to establish strategic alliances as a supplier of online courses and content to multinational companies.

Failure to manage growth effectively
As the Company strives to increase revenues and develop new lines of business, it will be exposed to a number of risks associated with the management of such growth. Such risks include added responsibilities for existing staff, hiring new employees, and higher operating and administrative expenses. In order to manage its future growth effectively, the Company will be required to improve its operational systems and hire, train, and manage qualified employees. There can be no assurance that the Company will be able to manage its projected growth effectively or that its internal management systems will be adequate to support this growth.

Technological changes may reduce the Company's sale of its products and services
The online software applications market continues to experience rapid technological change. The Company's products and services rely heavily on Microsoft Windows, Linux, and Macromedia Flash platforms. There is a risk that new technologies and standards may render the Company's software applications obsolete. The Company may be required to invest significant capital in new technology and software development to remain competitive. Failure to do so may adversely affect demand for the Company's products and services.

Market acceptance
As part of its growth strategy, the Company will be launching new products and services associated with Internet-based testing, training, and international student recruitment. There is no guarantee that higher education customers and partners will accept these new products and services. Although there is a growing acceptance of Internet-based student recruitment methods among higher education organizations, the use of such methods is still relatively undeveloped in international markets. The success of the Company's new products and services will depend on the continued growth and acceptance of online international student recruitment services by higher education customers and of new customers and partners to accept and compensate the Company for its efforts in providing new Internet services.

Government regulation of the Internet

The Company's online products and student recruitment services may be subject to various laws relating to internet access, usage, and privacy. New regulations affecting copyright, content, privacy, and the quality and nature of online products and services may negatively affect the Company's planned expansion of its student recruitment services into countries outside of Canada. Changes in the regulatory environment may decrease future demand for its products and services, and increase the cost of doing business. The extent and applicability of laws with respect to the internet are uncertain and may in the future expose the Company to significant liabilities.

Dependence on Internet search

The Company depends upon Internet search companies to attract a significant portion of the visitors to its websites, and any change in the search companies' search algorithms or perception of the Company could result in its websites being listed less prominently in either paid or algorithmic search result listings, in which case the number of visitors to the Company's websites and our revenue could decline.

The Company depends in significant part on various Internet search companies, such as Google, Microsoft, and Yahoo!, and other search websites to direct a significant number of visitors to its websites so that the Company can provide its online marketing services to its clients. Search websites typically provide two types of search results, algorithmic and paid listings. Algorithmic, or organic, listings are determined and displayed solely by a set of formulas designed by search companies. Paid listings can be purchased and then are displayed if particular words are included in a user's Internet search. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of the website featured in the paid listing and other factors. The Company relies on both algorithmic and paid search results, as well as advertising on other websites, to direct a substantial share of the visitors to its websites.

The Company's ability to maintain the number of visitors to its websites from search websites and other websites is not entirely within its control. For example, Internet search websites frequently revise their algorithms in an attempt to optimize their search result listings or to maintain their internal standards and strategies. Changes in the algorithms could cause the Company's websites to receive less favorable placements, which could reduce the number of users who visit its websites.

In addition, the Company's business model may be deemed similar to those of its competitors and others in the industry that Internet search websites may consider to be unsuitable or unattractive. Internet search websites could deem the Company's content to be unsuitable or below standards or less attractive or worthy than those of other or competing websites. In either such case, the Company's websites may receive less favorable placement in algorithmic or paid listings, or both.

Additionally, the Company may make decisions that are suboptimal regarding the purchase of paid listings which could reduce the number of visitors to its websites or cause the Company to incur additional costs. The Company may also make decisions that are suboptimal regarding the placement of advertisements on other websites and pricing, which could increase its costs to attract such visitors or cause the Company to incur unnecessary costs. A reduction in the number of visitors to the Company's websites could negatively affect the Company's ability to earn revenue. If visits to the Company's websites decrease, the Company may need to resort to more costly sources to replace lost visitors, and such increased expense could adversely affect the Company's business and profitability.

Dependence on limited number of clients

A substantial portion of the Company's revenue is generated from a limited number of clients and, if the Company loses a major client, its revenue will decrease and its business and prospects would be adversely impacted. The Company's top three clients accounted for 47% of its revenue for the fiscal year 2012. The Company's clients can generally terminate their contracts at any time, with limited prior notice or penalty. The Company's clients may also reduce their level of business with the Company, leading to lower revenue. The Company expects that a limited number of clients will continue to account for a significant percentage of the Company's revenue, and the loss of, or material reduction in, their marketing spending with the Company could decrease the Company's revenue and adversely affect the Company's business.

Dependence on data center providers

The Company relies on Internet bandwidth and data center providers and other third parties for key aspects of the process of providing services to its clients, and any failure or interruption in the services and products provided by these third parties could harm the Company's business. Any financial or other difficulties the Company's providers' face may have negative effects on the Company's business, the nature and extent of which the Company cannot predict. The Company exercises little control over these third-party vendors, which increases the Company's vulnerability to problems with the services they provide. The Company licenses technology and related databases from third parties to facilitate analysis and storage of data and delivery of offerings. The Company has experienced interruptions and delays in service and availability for data centers, bandwidth and other technologies in the past. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and services could adversely affect the Company's business and could expose it to liabilities to third parties.

ADDITIONAL INFORMATION

Additional information relating to ACT360 Solutions Ltd. can be found on SEDAR at www.sedar.com.